

Annual Report

Island Investment Development Inc. (IIDI)

April 1, 2002 - March 31, 2003

Annual Report

Island Investment Development Inc. (IIDI)

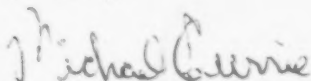
April 1, 2002 - March 31, 2003

The Honourable Leonce Bernard
Lieutenant Governor of Prince Edward Island

May it please your honour:

Please find attached the Annual Report for Island Investment Development, Inc (IIDl) for the fiscal year 2002 -2003.

Sincerely,

A handwritten signature in cursive script that reads "Michael Currie".

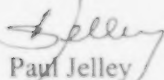
Michael F. Currie
Minister of Development and Technology
Province of Prince Edward Island

The Honourable Michael F. Currie
Minister of Development and Technology
P.O. Box 2000
Charlottetown, PE
C1A 7N8

Dear Minister Currie:

Please find attached the Annual Report for Island Investment Development Inc. (IIDI).

Sincerely,

A handwritten signature in dark ink, appearing to read "Jelley", is written over the printed name "Paul Jelley".

Paul Jelley
IIDI Board of Directors

ISLAND INVESTMENT DEVELOPMENT INC. (IIDI)

The Immigration, Investment and Trade Policy Division of the Department of Development & Technology is responsible for the management and operation of Island Investment Development Inc. (Island Funds) and the Prince Edward Island Century 2000 Fund.

IIDI Funds are administered by a Board of Directors consisting of three deputy ministers:

Paul Jelley (Development and Technology)

Lewie Creed (Fisheries and Aquaculture)

Michael O'Brien (Provincial Treasury)

OPERATIONAL SUMMARY

April 1, 2002 to March 31, 2003

- The remaining loans in Prince Edward Island Government Economic Development Fund (No. II) Inc. ("Island Fund II") and Prince Edward Island Government Economic Development Fund (No. III) Inc. ("Island Fund III") were repaid during the year and all of the investors have been refunded. As a result, there are no assets remaining in either of these companies.
- All of the available funds in Island Fund IV and Island Fund V were loaned out during the year. As at March 31, 2003, Island Fund IV's loan portfolio consisted of 13 loans totalling \$19,975,000 and Island Fund V's loan portfolio consisted of 8 loans totalling \$11,375,000.
- Prince Edward Island Century 2000 Fund Inc. ("Century Fund") was incorporated on May 21, 1999 as an approved government-administered venture capital fund under a federally administered Immigrant Investor Program. As at March 31, 2003, Century Fund's loan portfolio consisted of five loans totalling \$4,050,000

ArsenaultBestCameronEllis
Prince Edward Place
80 Water Street
PO Box 455
Charlottetown, PE C1A 7L1

June 20, 2003

Auditors' Report

**To the Board of Directors of
Island Investment Development Inc.**

We have audited the consolidated balance sheet of **Island Investment Development Inc.** as at March 31, 2003 and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ArsenaultBestCameronEllis

Chartered Accountants

Island Investment Development Inc.
Consolidated Balance Sheet
As at March 31, 2003

	2003 \$	2002 \$
Assets		
Current assets		
Cash and short-term investments (quoted market value - \$17,514,267; 2002 - \$17,183,177)	17,243,251	17,313,476
Accounts receivable (note 7)	1,135,838	2,147,022
Accrued interest receivable	504,238	1,068,513
Current portion of advances to escrow agent	2,950,000	3,100,000
Current portion of notes receivable	14,124,200	22,825,000
	35,957,527	46,454,011
Funds held in trust (note 3)	1,329,278	487,408
Advance to escrow agent, less current portion (note 7)	2,650,000	6,350,000
Notes receivable, less current portion (note 4)	17,283,000	30,754,800
Deferred financing costs (note 5)	1,079,427	1,898,559
	58,299,232	85,944,778
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	65,583	199,399
Current portion of accrued interest payable	878,096	3,313,368
Current portion of long-term debt	20,750,000	29,750,000
	21,693,679	33,262,767
Funds held in trust (note 3)	1,329,278	487,408
Accrued interest payable, less current portion	634,225	1,104,271
Long-term debt, less current portion (note 6)	34,637,689	51,292,587
	58,294,871	86,147,033
Retained earnings (deficit)	4,361	(202,255)
	58,299,232	85,944,778

Island Investment Development Inc.

Consolidated Statement of Retained Earnings (Deficit)

For the year ended March 31, 2003

	2003 \$	2002 \$
Deficit - Beginning of year	(202,255)	(67,697)
Net earnings (loss) for the year	206,616	(134,558)
Retained earnings (deficit) - End of year	4,361	(202,255)

Island Investment Development Inc.
Consolidated Statement of Earnings
For the year ended March 31, 2003

	2003 \$	2002 \$
Revenue		
Investment income (note 7)	2,790,344	3,184,208
Provincial Nominee Program fees	86,390	27,850
	<u>2,876,734</u>	<u>3,212,058</u>
Expenses		
Wages	162,968	149,939
Management fees (note 7)	152,600	150,000
Interest and bank charges (note 8)	24,197	132,724
Interest on long-term debt	706,627	975,768
Professional fees	101,021	38,502
Office	21,675	28,222
Equipment	5,373	7,612
Provision for possible losses	567,600	829,740
Consulting fees	56,776	102,616
Travel	12,868	73,796
Grant - PEI Trade and Development Inc.	100,000	100,000
Amortization	758,413	757,697
	<u>2,670,118</u>	<u>3,346,616</u>
Net earnings (loss) for the year	<u>206,616</u>	<u>(134,558)</u>

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2003

	2003 \$	2002 \$
Cash provided for (used in)		
Operating activities		
Net earnings (loss) for the year	206,616	(134,558)
Items not affecting cash		
Amortization	758,413	757,697
Provision for possible losses	567,600	829,740
	<u>1,532,629</u>	<u>1,452,879</u>
Net change in non-cash working capital items		
- decrease (increase) in accounts receivable	1,011,184	(533,594)
- decrease (increase) in accrued interest receivable	564,275	(149,262)
- increase (decrease) in accounts payable and accrued liabilities	(133,816)	73,262
- increase (decrease) in accrued interest payable	(2,905,318)	962,233
	<u>(1,463,675)</u>	<u>352,639</u>
	<u>68,954</u>	<u>1,805,518</u>
Investing activities		
Decrease (increase) in notes receivable - net	21,605,000	(5,630,000)
Decrease (increase) in deferred financing costs	60,719	(262,665)
Proceeds on write-off of note receivable	-	142,460
	<u>21,665,719</u>	<u>(5,750,205)</u>
Financing activities		
Decrease in advance to escrow agent	3,850,000	600,000
Increase (decrease) in long-term debt - net	(25,654,898)	8,631,146
	<u>(21,804,898)</u>	<u>9,231,146</u>
Net change in cash and short-term investments	(70,225)	5,286,459
Cash and short-term investments - Beginning of year	17,313,476	12,027,017
Cash and short-term investments - End of year	17,243,251	17,313,476

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2003

1 Basis of presentation

Consolidation

These financial statements include the operations of Island Investment Development Inc. and its six wholly-owned subsidiaries, Prince Edward Island Government Economic Development Fund Inc., Prince Edward Island Government Economic Development Fund (No. II) Inc., Prince Edward Island Government Economic Development Fund (No. III) Inc., Prince Edward Island Government Economic Development Fund (No. IV) Inc., Prince Edward Island Government Economic Development Fund (No. V) Inc., and Prince Edward Island Century 2000 Fund Inc.

Corporate status

The company is a crown corporation established under the provisions of the Island Investment Development Inc. Act (formerly the Enterprise P.E.I. Act) and is therefore a non-taxable entity under the provisions of the Income Tax Act.

The company is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies, and as such, there is a significant degree of credit risk. Credit risk is defined as the risk that the note holder will fail to discharge an obligation in whole or in part resulting in a financial loss to this company.

The company administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program a fee to process the application received.

2 Summary of significant accounting policies

Short-term investments

Short-term investments are recorded at cost.

Notes receivable

The notes receivable are recorded at cost with interest recorded on an accrual basis. When there is an identifiable long-term permanent decline in value, the investments will be written down to their estimated fair value. Any write downs or losses on disposal are recorded in the year they occur.

Revenue recognition

Provincial Nominee Program fees are recorded as revenue when received.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

For the year ended March 31, 2003

Fair value of financial instruments

Fair value is subjective in nature requiring a variety of valuation techniques and assumptions. Some of the company's financial instruments are not exchangeable and it is difficult, and often not practical, to determine their fair value. Where it is possible to estimate fair value, we assume that we will not sell the assets or the liabilities, taking into account only changes in credit risk as credit risk is the main cause of change in the fair value of our financial instruments.

Provision for possible losses

Any increase (decrease) in the provision for possible losses on the notes receivable is recorded in the statement of earnings.

Specific provision

A provision will be recorded for specific loans to reduce their book value to an amount expected to be recovered from the loans in the event of an impairment in value. A variety of methods are used to determine the amount expected to be recovered from impaired loans including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken. The specific provision at March 31, 2003 is \$2,576,800 (2002 - \$2,075,000)

General provision

A general provision is recorded for notes receivable on the basis that not all of the impairment in the notes receivable can be specifically identified. The general provision of \$1,416,000 (2002 - \$1,350,200) is based on past performance of similar loans, the level of the specific provision, management's judgement and the maturity and financial strength of the investee.

An impaired loan is a loan where, in management's opinion, there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

Capital assets

It is the company's policy to expense items of furniture and equipment in the year in which they are acquired.

Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over sixty months, commencing when projects have been approved and loans to borrowers drawn down.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

For the year ended March 31, 2003 Escrow agreement

Escrow Agent

Under the terms of an escrow agreement, subscription funds tendered by investors in Prince Edward Island Government Economic Development Fund (No. II) Inc. (Fund II), Prince Edward Island Government Economic Development Fund (No. III) Inc. (Fund III), Prince Edward Island Government Economic Development Fund (No. IV) Inc., (Fund IV) and Prince Edward Island Government Economic Development Fund (No. V) Inc. (Fund V) are held in trust by the escrow agent, Corporate Services Ltd., until the commencement date or until the funds are returned to the investor in the event that the investor's subscription has not been accepted.

Disbursement of Subscription Proceeds Fund II and Fund III

For Fund II and Fund III and for the first 4.1 units subscribed for in Fund IV, the escrow agent disbursed the subscription proceeds at the commencement date as follows:

- advanced 70% of subscription proceeds to Island Investment Development Inc. to be invested in approved projects;
- advanced 10% of subscription proceeds to Island Investment Development Inc. to be deposited into the operating account to cover offering costs and placement expenses; and
- establish a repayment account by investing 20% of the subscription proceeds in high yield secure investments as a contingency for repayment of rejected investors.

The terms of agreements between this company, Fund II, Fund III and for the first 4.1 units of Fund IV, resulted in all interest earned in the escrow accounts being the property of Island Investment Development Inc. The offering costs and placement expenses were assumed by Island Investment Development Inc. under the terms of these same agreements.

Disbursement of Subscription Proceeds Fund IV and Fund V

For all subscription proceeds of Fund IV and Fund V, except for the first 4.1 units in Fund IV, as described above, the escrow agent disbursed the subscription proceeds at the commencement date as follows:

- advanced 70% of subscription proceeds to Fund IV and Fund V to be invested in approved projects;
- advanced 10% of subscription proceeds to Fund IV and Fund V to be used to cover offering and operating costs;
- establish a repayment account by investing 20% of the subscription proceeds in high yield secure instruments as a contingency for repayment of rejected investors.

Bond premiums

Bond premiums are amortized to income over the life of the bonds.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

For the year ended March 31, 2003

Interest on long-term debt

Interest expense on the notes payable is accrued from the date of the closing. Interest paid to refunded investors is calculated from the date funds are deposited by the escrow agent.

Management estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

3 Funds held in trust

Funds held in trust consist of:

	2003 \$	2002 \$
Amounts held under the Prince Edward Island Provincial Nominee Program - Good Faith deposits	825,175	-
Amounts held under the Prince Edward Island Provincial Nominee Program to be invested in local businesses	504,103	200,016
Amounts due to investors in Island Fund II	-	287,392
	1,329,278	487,408

- a) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a good faith deposit agreement with the company. Under this agreement, each applicant deposits \$25,000 in trust for a period of one year from the date the applicant is granted permanent resident status by the Government of Canada. At the end of this period, the deposit is returned to the applicant, plus interest, provided the applicant provides evidence that the conditions set out in the agreement have been met. In the case that the applicant does not meet the conditions for repayment, the company will record the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends.
- b) Funds received by the company from applicants under the Prince Edward Island Provincial Nominee Program to be invested in a local business, totalling \$504,103 as at March 31, 2003 (2002 - \$200,016) on behalf of five applicants (2002 - two), are held in trust by Island Investment Development Inc. until the applicants are approved and the funds are disbursed for investment.
- c) The company is holding in trust at March 31, 2003 cash and short-term investments of nil (2002 - \$287,392) on behalf of nil (2002 - one) investor that had notes receivable from Fund II, which came due during 2001. The funds are being held by Island Investment Development Inc. until such time as the investor requests payment. All interest earned on the funds held in trust accrues to the benefit of the investor.

Island Investment Development Inc.

Notes to Consolidated Financial Statements

For the year ended March 31, 2003

4 Notes receivable

	2003 \$	2002 \$
4% note receivable, due July 13, 2003, with interest receivable quarterly beginning September 30, 1998	1,570,000	1,570,000
4% note receivable, due November 30, 2003, including principal and interest	2,500,000	2,500,000
4% note receivable, due September 30, 2003, with interest receivable quarterly beginning December 31, 1998	650,000	650,000
4% note receivable, due November 6, 2003, with interest receivable quarterly beginning March 31, 1999	950,000	950,000
4% note receivable, due December 10, 2003, with interest receivable quarterly beginning March 31, 1999	2,200,000	2,200,000
4% note receivable, due March 18, 2004, with interest receivable quarterly beginning June 30, 1999	5,500,000	5,500,000
4% note receivable, due March 30, 2004, with interest receivable quarterly beginning June 30, 1999	2,000,000	2,000,000
4% note receivable, due September 13, 2004, with interest receivable quarterly beginning December 31, 1999	2,000,000	2,000,000
4% note receivable, due February 10, 2005, with interest receivable quarterly beginning March 31, 2000	1,470,000	1,470,000
4% note receivable, due March 23, 2005, with interest receivable quarterly beginning June 30, 2000	1,050,000	1,050,000
4% note receivable, due April 12, 2005, with interest receivable quarterly, beginning June 30, 2000	2,100,000	2,100,000
4% note receivable, due May 9, 2005, with interest receivable quarterly, beginning June 30, 2000	2,560,000	2,560,000
4% note receivable, due August 4, 2005, with interest receivable quarterly, beginning September 30, 2000	525,000	525,000
4% note receivable, due December 1, 2005, with interest receivable quarterly, beginning December 31, 2000	350,000	350,000
4% note receivable, due December 1, 2005, with interest receivable quarterly, beginning December 31, 2000	1,400,000	1,400,000
4% note receivable, due December 22, 2005, with interest receivable quarterly, beginning December 31, 2000	1,300,000	1,300,000
4% note receivable, due November 19, 2006, with interest receivable quarterly, beginning December 31, 2001	875,000	875,000
4% note receivable, due March 18, 2007, with interest receivable quarterly, beginning June 30, 2002	750,000	750,000
4% note receivable, due May 28, 2006, with interest receivable quarterly, beginning September 30, 2001	850,000	850,000
4% note receivable, due December 27, 2006, with interest receivable quarterly, beginning March 31, 2002	250,000	250,000
4% note receivable, due March 28, 2007, with interest paid monthly for the first six months beginning April 2002 to September 2002 then interest paid quarterly beginning December 31, 2002	750,000	750,000
4% note receivable, due May 28, 2006, with interest receivable quarterly, beginning September 30, 2001	930,000	930,000
4% note receivable, due November 19, 2006, with interest receivable quarterly, beginning December 31, 2001	1,225,000	1,225,000
4% note receivable, due October 31, 2007, repayable in annual instalments including principal and interest each October 31 of \$56,000 in 2003, \$105,200 in 2004, \$182,400 in 2005, \$326,400 in 2006 and \$374,400 in 2007	900,000	-

4% note receivable, due February 18, 2008, with interest paid quarterly beginning March 31, 2003	525,000	-
4% note receivable, due February 18, 2008, with interest paid quarterly beginning March 31, 2003	220,000	-
4% note receivable, received during the year	-	1,225,000
4% note receivable, received during the year	-	2,000,000
2.2% note receivable, received during the year	-	4,025,000
3.6% note receivable, received during the year	-	16,000,000
	<u>35,400,000</u>	<u>57,005,000</u>

The notes receivable are invested in the following business sectors:

	2003				2002
	Total \$	Impaired loans included in total \$	General provision \$	Specific Provision \$	Net \$
Manufacturing and processing	11,695,000	5,050,000	467,800	1,580,000	9,647,200
Agriculture	4,130,000	2,560,000	165,200	665,800	3,299,000
Small business	18,825,000	1,600,000	753,000	331,000	17,741,000
Aerospace	750,000	-	30,000	-	720,000
	<u>35,400,000</u>	<u>9,210,000</u>	<u>1,416,000</u>	<u>2,576,800</u>	<u>31,407,200</u>
Less: Current portion	15,390,000	3,600,000	614,800	651,000	14,124,200
	<u>20,010,000</u>	<u>5,610,000</u>	<u>801,200</u>	<u>1,925,800</u>	<u>30,754,800</u>

5 Deferred financing costs

	2003		2002
	Cost \$	Accumulated Amortization \$	Net \$
Island Fund IV			
Placement and escrow fees	2,496,023	1,979,069	516,954
			<u>1,045,268</u>
Island Fund V			
Placement and escrow fees	1,350,964	788,491	562,473
			<u>853,291</u>
	<u>3,846,987</u>	<u>2,767,560</u>	<u>1,079,427</u>
			<u>1,898,559</u>

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2003

6 Long-term debt

	2003 \$	2002 \$
1% notes payable, nominally dated July 13, 1998, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	2,250,000	2,250,000
1% notes payable, nominally dated September 30, 1998, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	750,000	750,000
1% notes payable, nominally dated November 6, 1998, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,250,000	1,250,000
1% notes payable, nominally dated November 30, 1998, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	3,500,000	3,500,000
1% notes payable, nominally dated December 10, 1998, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	3,000,000	3,000,000
1% notes payable, nominally dated March 18, 1999, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	7,000,000	7,000,000
1% notes payable, nominally dated March 30, 1999, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	3,000,000	3,000,000
1% notes payable, nominally dated September 13, 1999, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	2,750,000	2,750,000
1% notes payable, nominally dated September 30, 1999, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	750,000	750,000
Non-interest bearing notes payable, nominally dated with dates ranging from January 1, 2000 to April 1, 2003, repayable in full in five years pursuant to the federally administered Immigrant Investor Program	13,387,689	8,542,587
1% notes payable, nominally dated February 10, 2000, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,500,000	1,750,000
1% notes payable, nominally dated March 23, 2000, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,000,000	1,000,000
1% notes payable, nominally dated April 12, 2000, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	2,750,000	2,750,000
1% notes payable, nominally dated May 9, 2000, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	3,500,000	3,500,000
1% notes payable, nominally dated August 4, 2000, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	750,000	750,000
1% notes payable, nominally dated December 1, 2000, principal and interest repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations	500,000	500,000
1% notes payable, nominally dated December 1, 2000, principal and interest	2,000,000	2,000,000

repayable in full in five years pursuant to the Offering Memorandum and Immigrant Investor Regulations		
1% notes payable, nominally dated May 28, 2001, principal and interest repayable in full in five years from the commencement date pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,250,000	1,250,000
1% notes payable, nominally dated November 19, 2001, principal and interest repayable in full in five years from the commencement date pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,250,000	1,750,000
1% notes payable, nominally dated November 19, 2001, principal and interest repayable in full in five years from the commencement date pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,250,000	1,250,000
1% notes payable, nominally dated March 18, 2002, principal and interest repayable in full in five years from the commencement date pursuant to the Offering Memorandum and Immigrant Investor Regulations	1,000,000	1,000,000
1% notes payable, nominally dated February 18, 2003, principal and interest repayable in full in five years from the commencement date pursuant to the Offering Memorandum and Immigrant Investor Regulations	750,000	750,000
1% notes payable, nominally dated February 18, 2003, principal and interest repayable in full in five years from the commencement date pursuant to the Offering Memorandum and Immigrant Investor Regulations	250,000	250,000
2% notes payable, repaid during the year	-	2,500,000
2% notes payable, repaid during the year	-	15,000,000
2% notes payable, repaid during the year	-	1,500,000
2% notes payable, repaid during the year	-	5,250,000
2% notes payable, repaid during the year	-	2,250,000
2% notes payable, repaid during the year	-	2,250,000
1% notes payable, repaid during the year	-	1,000,000
	55,387,689	81,042,587
Less: current portion	20,750,000	29,750,000
	34,637,689	51,292,587

The Province of Prince Edward Island has provided a guarantee of the non-interest bearing notes payable to the Minister of Citizenship and Immigration (Agent) in the event of the failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within 30 days following the end of the allocation period.

The principal payments required on the long-term debt to meet retirement provisions over the next five years are as follows:

	\$
Year ending March 31, 2004	20,750,000
2005	6,406,132
2006	11,903,776
2007	10,318,071
2008	6,009,710

Island Investment Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2003

7 Related party transactions

Included in accounts receivable is \$1,096,588 (2002 - \$2,135,938) due from Corporate Services Ltd.

Included in accounts payable and accrued liabilities is nil (2002 - \$33,139) due to Prince Edward Island Business Development Inc.

During the year, the company paid \$150,000 (2002 - \$150,000) in management fees to Prince Edward Island Business Development Inc. and \$2,600 (2002 - nil) in management fees to Corporate Services Ltd.

The advances to escrow agent are to Corporate Services Ltd.

Corporate Services Ltd. is a wholly-owned subsidiary of Prince Edward Island Business Development Inc., a Crown corporation of the Province of Prince Edward Island.

8 Financing Agreement

A third party has provided financing to certain investors for a portion of the \$250,000 note loaned by each investor to Island Funds IV and V. The third party charges interest to the investors beginning on the commencement date, being the date the funds are invested by Island Funds IV and V in a qualified project. In those circumstances whereby financing has been provided to the investors prior to the commencement date, Island Funds IV and V have agreed to pay interest on these amounts at an annual rate of interest ranging from 7% to 7.77%. Included in interest and bank charges for the year is \$23,632 (2002 - \$130,669) in interest paid to the third party on these advances.

9 Comparative figures

Certain comparative figures presented for the 2002 fiscal year have been restated to conform with the financial statement presentation adopted for the current year.

